

THE OPEN UNIVERSITY OF SRI LANKA
 BACHELOR OF MANAGEMENT STUDIES DEGREE PROGRAMME – LEVEL 05
 ASSIGNMENT TEST – 2022/2023
 AFU5508 – FINANCIAL MANAGEMENT AND MANAGERIAL ACCOUNTING
 DURATION: TWO (2) HOURS



DATE: 19.08.2023

TIME: 01.30 p.m. - 03.30 p.m.

Instructions

- *Answer Any three (03) questions only. All questions carry equal marks.*
- *Use of Non-programmable calculator is allowed.*

Question No.01

- (a) Discuss how cost-volume-profit analysis is useful in the following circumstances;
- (i) Profit planning
 - (ii) Setting selling price
 - (iii) Determining product mix under resource limitations
- (b) JB Wholesalers is a distributor specialized in selling one kind of household product in the Western province. The forecast sales of the firm for the next financial year is 130,000 units. The selling price and the unit variable cost of the product is Rs 145/= and Rs 122/= respectively. Its fixed costs are estimated to be Rs 1,205,200/= for the next financial year. Prepare a break-even chart for the firm's next financial year.

Question No.02

- (a) Explain the terms "variable cost", "fixed cost" and "mixed cost".
- (b) SSP PLC carries out a business of producing and distributing products X, Y and Z. The following cost items have been extracted in relation to the product "X".
- Machine expenses:-** The machinery used for the production of "X" has a capacity of 40,000 units for a month. The repair and maintenance expenses and depreciation of the machinery for a month is Rs 350,000.
- Labour cost of manufacturing workers:-** The company has employed two permanent workers for operating the machinery and quality inspection of the output for a monthly salary of Rs 75,000 each. The product "X" is packed by three casual workers for a payment of Rs 80 per unit.
- Marketing Manager's Salary:** The basic monthly salary of the company's Marketing Manager is Rs 215,000. In addition, a bonus of Rs 40/- per unit of "X" is paid for the sales quantity more than 25,000 units per month.

Material Cost: 2.5 kilograms of material is required for producing one unit of product "X". The company currently purchases material for a price of Rs 180 per kilogram.

Using the above information;

- (i) Discuss the behaviour of each of the cost items given above with graphical illustrations and clearly stating the type of the behaviour observed.
- (ii) Calculate the variable cost per unit and total fixed cost in a month if 30,000 units of "X" are produced and sold during the month.

Question No.03

"Financial Management is concerned with the planning, organizing and controlling of the firm's financial resources in order to achieve organization's objectives".

- (i) What is the mostly accepted objective of finance? Explain it briefly.
- (ii) Mention the specific activities doing by a financial manager and explain three (03) of them.
- (iii) Explain the four (04) major types of financial decisions / functions.

Question No.04

- (i) List down the reasons for time preference of money?
- (ii) (a) Mr. Prasanna is expecting to put Rs.10,000 in the market at the end of every year for eight (8) years at 5% interest rate. How much he can earn at the end of the period?
(b) What if Mr. Prasanna put the Rs.10,000 for eight (8) years at the beginning of every year under the same 5% interest rate?
- (iii) "X & Y (Pvt) Ltd" wants to purchase a new sewing machine for their garment factory. For that, they borrow Rs.25,000 to be repaid in five (5) equal payments at the end of next five (5) years. If the interest rate is 10% on the outstanding portion of the loan, calculate the value of the instalment.

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